

Nature of Assignment

- Retained by U.S. Department of Justice in Fall 2003
- Asked to evaluate the likely competitive effects of the proposed acquisition of PeopleSoft by Oracle
- Not asked to define relevant markets

Materials Reviewed

- **Business records, declarations, depositions, and Court Testimony from Oracle, PeopleSoft, and third parties**
- **Reports prepared by expert witnesses for USDOJ and Oracle**
- **Relevant economics literature**
- **Publicly available documents**

Primary Analyses Performed

- **Three primary and independent economic analyses:**
 - **Analysis of Oracle's discount request forms, and sales rep/customer surveys from Oracle and PeopleSoft**
 - Case Studies
 - Summary Statistics
 - **Regression analyses based on Oracle data**
 - **Auction-based merger simulation**

Overview of Conclusions

- Merger will increase license and maintenance prices for high-function HRM and FMS software
- Case studies document instances where PeopleSoft competition lowered prices
- Regressions suggest 13% to 26% price increase
- Simulation suggests 5% to 30% price increase

Oracle's Discount Request Forms

- The analysis of Oracle's discount request forms show:
 - Head-to-head competition between Oracle and PeopleSoft results in lower prices for buyers
 - Software vendors become informed about buyer preferences and rival strategies during a procurement competition
 - Prices set by software vendors depend on factors other than their own costs, demonstrating the vendors' ability to price discriminate
 - Multiple rounds of bidding